ANNUAL REPORT 1981 - 82

Alberta Heritage Fund

ADC
AGRICULTURAL DEVELOPMENT CORPORATION

Presentation to the Minister of Agriculture

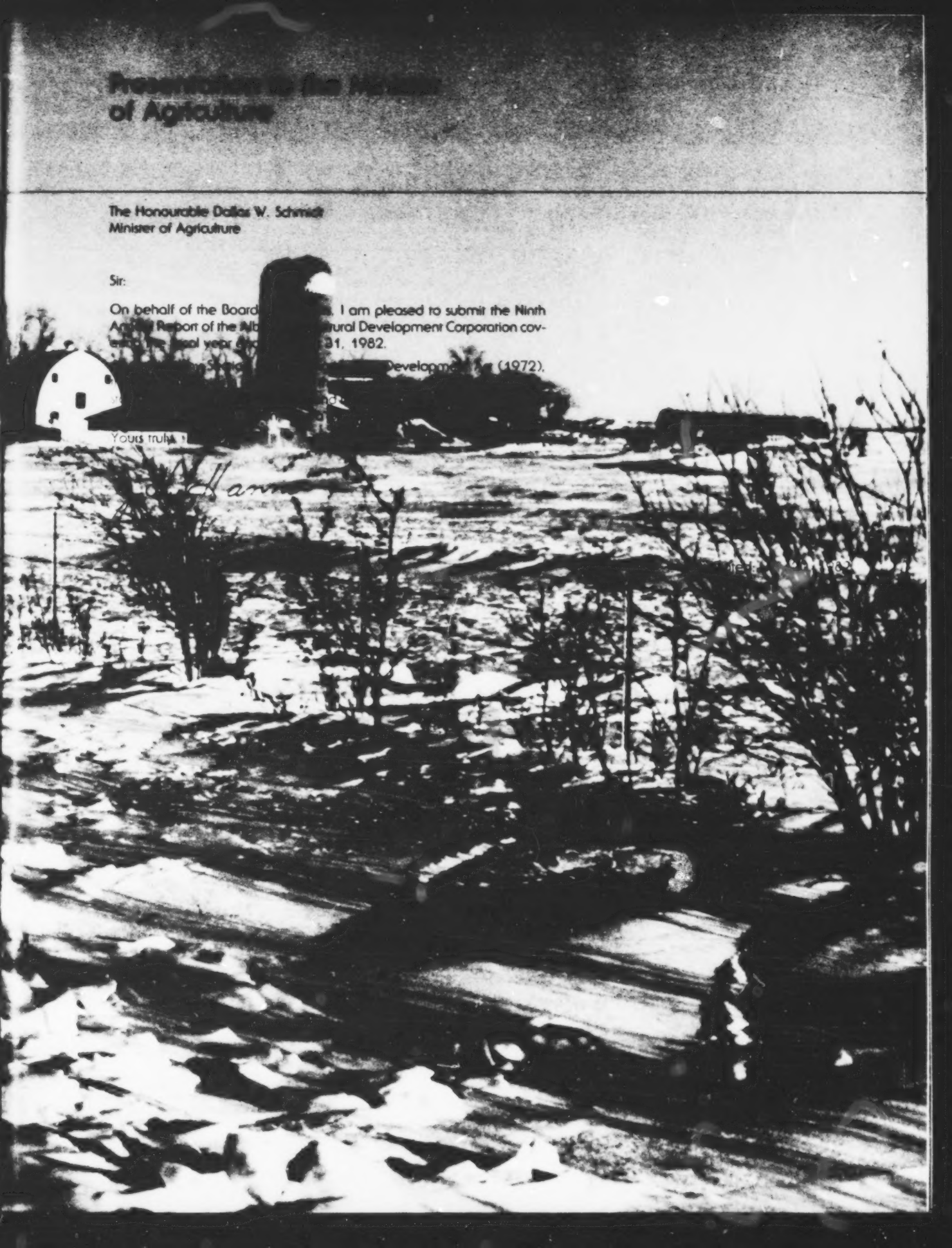
The Honourable Dallas W. Schmidt
Minister of Agriculture

Sir:

On behalf of the Board [illegible]. I am pleased to submit the Ninth Annual Report of the Alberta Agricultural Development Corporation covering the fiscal year ending March 31, 1982.

[illegible] Development Act (1972).

Yours truly,



Presentation to the Minister of Agriculture

The Honourable Dallas W. Schmidt
Minister of Agriculture

Sir:

On behalf of the Board of Directors, I am pleased to submit the Ninth Annual Report of the Alberta Agricultural Development Corporation covering the fiscal year ending March 31, 1982.

As required by Section 9 of the Agricultural Development Act (1972), the report contains a summary of the business affairs of the corporation, statements of revenue, expense and retained earnings, a review of the corporate financial position, and a balance sheet.

Yours truly,

J. H. Hanna

J. Harold Hanna
Chairman and Managing Director

Dated: July 20, 1982

Board of Directors

Chairman and Managing Director
J. Harold Hanna — Camrose

Directors
Gilbert Balderston — Sexsmith
Hugh Bawden — Westerose
James Elliott — Fairview
Gerald Gunby — Debolt
J. Harold Hanna — Camrose
George Hutskal — Bonnyville
Paul Madge — Milk River
Olivier Noel — St. Lina
Gloria Paquette — Pickardville
Arthur Rendfleisch — Edmonton
Barbara Tiegs — Brooks

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Chairman's Report

The Alberta Agricultural Development Corporation is a provincial crown corporation created in 1972 to replace the Alberta Farm Purchase Board. During its first years the Corporation grew at a steady rate. Since 1980, A D C has experienced phenomenal growth as a result of increased direct lending to beginning farmers.

The Corporation provides assistance to agricultural enterprises through direct loan financing on a long term basis and an extensive loan guarantee program through other lenders to cover short and intermediate term financing. Accumulated loan authorizations during the ten years from June 1972 to March 1982 amounted to 86,744 loans totalling $1,466,800,000. Of this number, 23,190 loans totalling $697,200,000 were active and outstanding on March 31, 1982.

For the second consecutive year, the Corporation's preferred farm lending rate was maintained at 12% per annum, with beginning farmers who met A D C's loan terms and conditions being eligible for a 6% incentive. The preferred agribusiness lending rate was increased to 15%.

A D C administers a number of imaginative programs encompassing all aspects of farm and agribusiness lending. These programs have been established to further the Corporation's objectives which continue to be:

- to establish and maintain viable family farms
- increase the processing of agricultural commodities within the province
- improve the quality of life in rural Alberta
- make rural centres more viable.

To meet these broad objectives, the Corporation's programs have been designed to supplement the activities of lending institutions such as chartered banks and the Farm Credit Corporation. In addition to its programs to assist farm and agribusiness borrowers on a last resort basis, A D C functions as a 'first resort' lender to beginning farmers.

Flexibility is the keystone for development and interpretation of the Corporation's policies and programs, with every effort being made to assist in the establishment and maintenance of agricultural enterprises.

The Alberta Agricultural Development Corporation is financed by the sale of debentures to the Alberta Heritage Savings Trust Fund. To March 31, 1982, debentures worth $630,000,000 have been authorized for the Corporation's use.

The Board of Directors participate actively in the affairs of the Corporation as well as in long-term planning and policy

formulation. In August 1981 the Board toured the Vermilion region. Closer working relationships were also developed with local Agricultural Development Committees throughout the province.

During 1981-82, Mr. N.F. William Picard resigned after serving for over eight years as a member of the Board. On February 17, 1982, Mr. Gerald Gunby was appointed Acting Chairman and Managing Director to replace Mr. H.B. McEwen who had been appointed Deputy Minister of Agriculture. On March 24, 1982, I assumed the position of Chairman and Managing Director of A D C. On behalf of the Directors and staff, I would like to thank Mr. Gunby and Mr. McEwen for the effective and capable leadership they provided during the past year, and to acknowledge the very significant contribution Mr. Picard made during his term as a member of the Board.

The existing level of lending activity and the anticipated growth of the Corporation places a serious responsibility on staff to respond to the needs of the agricultural community in a timely and effective manner. In recognition of this fact, a review of A D C's loan delivery system was undertaken and changes are now being implemented to improve service to applicants. Additionally, the number of corporate staff members increased by 20% during the past year in an effort to improve service to A D C's clients and handle the ever-increasing financial portfolio at head office.

The Board and staff are dedicated to responding to the needs of agriculture as promptly as possible, and to increasing the efficiency and effectiveness of A D C's programs.

As we move into the mid-1980s, Alberta's agricultural industry will continue to grapple with major issues such as inflation, erratic markets, high and fluctuating interest rates, along with the need for improved cultural and livestock management techniques and better financial management practices. Although A D C cannot address all aspects of the problems faced by farmers and agribusiness, the Corporation will continue to play an aggressive role in offsetting the effects of the current adverse economic environment. The Corporation's lending policies will continue to be monitored and revised to meet the financial needs and assist in the development of Alberta's primary producers and agribusiness.

J. H. Hanna

J. Harold Hanna
Chairman and Managing Director

Corporate Operations Overview

Corporate Highlights

For the ninth consecutive year there was an increase in demand for A D C's lending programs. Compared with the previous year, the total number of direct loans increased by 20% while dollar volume for these loans increased by 29%.

Financial assistance provided by A D C in the form of direct loans and loan guarantees totalled $316.2 million, distributed as follows:

1290	Beginning Farmer Loans	$193.5 million
260	Direct Farm Loans	$ 31.4 million
37	Direct Agribusiness Loans	$ 11.9 million
35	Specific Guaranteed Farm Loans	$ 1.8 million
20	Specific Guaranteed Agribusiness Loans	$ 13.9 million
4546	Alberta Farm Development Loans	$ 63.7 million

In the face of record-high interest rates from other lenders, A D C's preferred farm lending rate of 12% was maintained during the year, with:

a) Beginning farmers being eligible to earn annual incentives calculated at 6% of the original balance for a term of five years;
b) Developing farmers being eligible for Part A direct loans at 9% per annum for the first five years.

With the exception of the Beginning Farmer Program, A D C continued to be a lender of last resort.

Approximately $14 million in incentive payments was earned by Alberta farmers. Almost all of these incentives were earned by beginning farmers, providing valuable assistance to them in overcoming increasingly high start-up costs.

A staged option for beginning farmers was introduced during the year. This option encourages applicants to borrow initially only those amounts of funds needed to become established and to remain eligible for second-stage funding when the enterprise increases and repayment ability improves.

The optional group life insurance plan continued to be popular with direct borrowers. At the year end approximately 3,000 clients were participating in this plan, representing an insured portfolio of $324 million.

By agreement with Alberta Home Mortgage Corporation, the financing of rural housing was transferred to A D C. Funding for farm housing to a maximum of $60,000 was established as an eligible purpose for beginning farmers and Part A loan applicants.

Greater emphasis was given to agribusiness lending during 1981-82 with the result that loans to this segment of the agricultural community expanded by 161%. The preferred agribusiness lending rate for direct loans was increased to 15% and the maximum loan restriction removed.

Farm Lending

The demand for direct farm lending showed substantial increases in 1981-82. Overall direct farm lending rose by 25% to $224.9 million. $193.5 million of these funds were lent under the Beginning Farmer Program which expanded by 33% from $145.3 million in 1980-81. Part A and B direct loans decreased slightly in number; however, the dollar value of Part A and B loans remained relatively stable at $31.4 million compared to $34.1 million in 1980-81.

The largest proportion of all loans under these programs was made to developing farmers in the North Central region of the province.

The maximum amount per direct loan was maintained at $200,000 per farm family. The 1550 loans approved in 1981-82 averaged $145,000. This average remained fairly constant throughout the year due to the influence of the staged option for beginning farmers.

A D C's field staff had a very busy year — over 28,800 field office interviews and 3,200 farm visits — emphasizing the magnitude of the Corporation's commitment to serve Alberta farmers and agribusinesses.

Agribusiness Lending

Agribusiness lending increased significantly in 1981-82. A total of 57 loans amounting to more than $25.8 million were approved, compared to 37 loans totalling $9.9 million in the previous year. In addition, the average loan amount increased substantially.

37 direct term loans, 7 term loan guarantees and 13 operating loan guarantees were approved for agribusinesses during the year. 20 extensions to existing operating loan guarantees were also approved.

During 1981-82 A D C continued to provide direct term loan assistance to rural gas distribution co-operatives. 20 direct term loans were authorized in favour of gas co-operatives for a total of $3.4 million compared with 6 loans totalling $.77 million in 1980-81.

A D C also provided relief to the alfalfa processing industry by making available loans to finance or refinance term debt. This program was initiated to offset depressed market conditions and provide a buffer against current high interest rates. 9 direct and 12 guaranteed loans in favour of 10 alfalfa processors were provided during the term of the program. An incentive program was also developed to provide further support to the alfalfa processing industry in relation to the 1981 production season.

Direct term loan activity is expected to remain strong due to the uncertain economic climate and the attendant high cost of borrowed money from other sources.

Lending Programs

A D C provides financing by way of direct loans and facilitates the acquisition of financing from other lenders by providing guarantees to those lenders.

Direct Loan Programs

A D C 's lending programs service two basic client groups. The largest client group is farmers, and the other client group is agribusiness.

Direct Farm Loans:

Direct farm lending is divided into three types:

Beginning Farmer loan applications are considered by A D C without the necessity of the applicant first contacting other lenders.

Part "A" and Part "B" loan applications are considered if the applicant cannot obtain financing with reasonable terms and conditions from other lending sources.

For all types of direct farm loan applications normal credit evaluations are carried out, including an evaluation of the proposed enterprise's repayment ability, management ability and the security available.

The maximum direct farm loan available is $200,000.

Direct farm loans are made on a five-year renewal basis. As long as the individual is still the owner of the land and A D C has not had to initiate legal action, the loan will be renewed with not more than a 1% change from the previous interest rate.

Beginning Farmer Loans:

This lending program is designed to assist beginning farmers to establish viable family farm units. Loans are available for the acquisition of land and/or improvements thereto, construction or renovation of farm buildings (including houses and mobile homes to a maximum of $60,000), livestock and equipment purchases and financial restructuring.

Individuals, who have not farmed a viable farm unit, and have an adequate combination of farm experience, education and equity may apply to A D C. The individual's proforma assets (assets after the loan program has been put in place) cannot exceed $350,000 and the proforma net worth cannot exceed $175,000.

Loans under this program are made at the 12% preferred interest rate.

Special assistance is provided to the beginning farmer to enable him to establish a balanced self-sustaining unit. The assistance takes the form of:

- up to 100% financing with preferred interest rates
- long terms
- an earned incentive payment which is equal to 6% of the original loan amount and is available each year for five years.

Incentives are provided only if the applicant complies with the terms and conditions of the program. Counselling is available to encourage the development of the borrower's financial planning and cultural skills. For individuals who wish to establish themselves on a gradual basis a staged option is available. This staged option allows an individual to establish eligibility for a maximum loan amount and then draw from these funds in two stages over a four-year period as development continues.

Part "A" and Part "B" Direct Farm Loan Programs:

These programs assist primary producers to develop and maintain self-sustaining farms through the provision of long term loans. Loans under both programs are available for the acquisition of land, making permanent improvements to land and buildings and consolidating outstanding liabilities.

To qualify for a loan under Part "A" Direct Loan, borrowers must have total proforma assets of less than $450,000 and a proforma net worth of less than $225,000.

The lending rate for Part "A" Direct Farm loans is 9% for the first five years of the loan. Part "A" Direct Farm loans may also be used for the purchase or renovation of houses and mobile homes (maximum $60,000).

Part "B" Direct Farm loans are made at the Corporation's 12% preferred interest rate and are available to individuals whose assets and net worth exceed Part "A" Direct Farm loan limits. Loans for housing are not available under Part "B" loans.

Direct Agribusiness Loans:

The objective of this loan program is to assist new and expanding agribusinesses. By helping to increase the processing of agricultural products and facilitating the provision of agricultural services to primary producers, the Corporation contributes to making Alberta's rural centres more viable.

Agribusiness enterprises, which process primary products and/or provide a necessary service to farming enterprises and which are unable to obtain reasonable financing from other sources, may apply for assistance under this program. Applicants are expected to contribute adequate equity. Direct term loans are available at A D C's agribusiness preferred lending rate (currently 15%) if alternate financing is not available and if specific guaranteed financing will not satisfy the needs of the applicant.

Direct agribusiness loans are available for the acquisition of buildings, land, equipment and making permanent improvements. Loans for debt consolidation and operating requirements are usually provided by way of specific guarantees. However, in exceptional circumstances, direct agribusiness loans may also be provided for these purposes.

Further help to make rural centres more viable is provided by A D C through the provision of direct term loans at a special interest rate of 12% for rural gas co-operatives.

These funds are available only to finance and/or refinance "gas rate" borrowings. Rural gas co-operatives may also apply under the agribusiness loan programs for their other needs.

Guaranteed Loan Programs

Specific Guarantees:

The objective of this loan guarantee program is to help primary producers of agricultural products and agribusinesses to attain viability and improve productivity.

A D C provides a 100% guarantee to the selected lender for loans with terms of up to 15 years. These loans bear interest at the lender's prime interest rate plus 1% for up to ten year terms, and plus 1½% for between 10 and 15 year terms.

There is no maximum loan amount stipulated under this program.

Primary producers are required to investigate the use of an Alberta Farm Development Loan (A.F.D.L.) prior to requesting a specific guarantee.

Alberta Farm Development Loans (A.F.D.L.)

The objective of this loan guarantee program is to assist primary producers of agricultural products to maintain or improve productivity and viability by facilitating the securing of short and intermediate term financing through another lender.

Through guarantee agreements with approved lenders, this program assists the primary producer in obtaining financing at preferential interest rates. Loans under this program can be made for any purpose associated with primary production, except for debt consolidation.

The maximum loan available under this program is $100,000 with a term of up to 15 years, depending on the purpose, with the borrower providing 20% equity for the proposal. The interest rate is the lender's prime lending rate plus a maximum of 1% for loans of up to ten years, and prime plus a maximum of 1½% for loans longer than ten years.

Under A.F.D.L. or specific guaranteed loans, a number of incentive programs are available to those producers who qualify. Incentive programs currently available include:

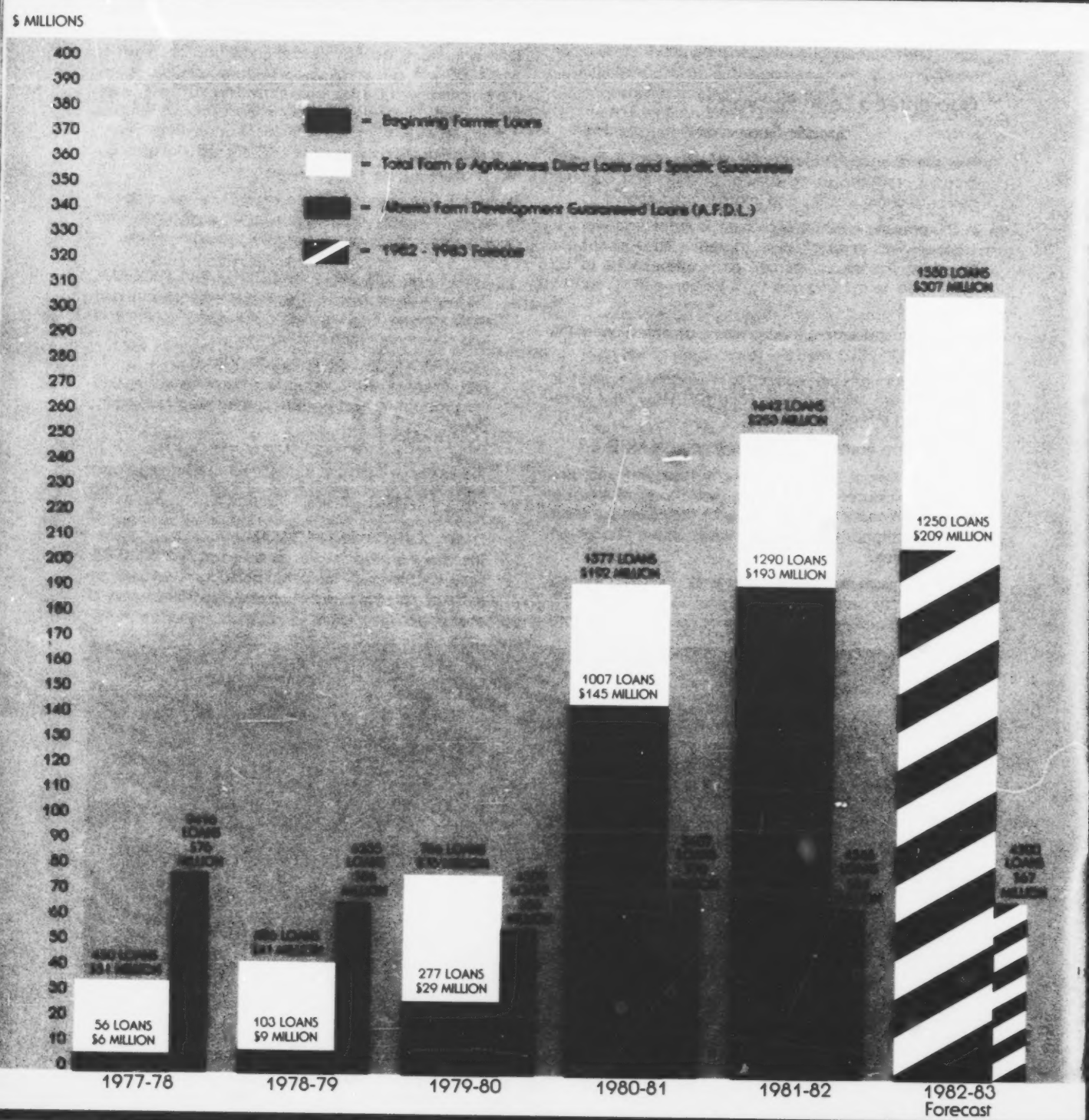
RANGE AND SOIL IMPROVEMENT INCENTIVE PROGRAM
This incentive program is intended to increase farm and ranch income by encouraging the development and improvement of land productivity.

SHEEP PRODUCERS' INCENTIVE PROGRAM
The objective of this incentive program is to improve the productivity and viability of the sheep fa ng industry.

VEGETABLE AND POTATO STORAGE PROGRAM
This incentive program is designed to assist vegetable and potato producers to improve their productivity and viability.

DAIRY DEVELOPMENT PROGRAM
This incentive program was cancelled on April 30, 1982; however, previously approved participants will continue to be eligible for incentive payments until the expiry of their projects.

A.D.C. LENDING ACTIVITY
A FIVE YEAR COMPARISON



1981-82 Comparative Data

Summary of Lending Activity

By Major Client Group and Type of Assistance
for the years ending March 31, 1982 and 1981

	1981-82		1980-81		Accumulated Authorizations June 1972 to March 1982		Active And Outstanding March 1982	
	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions
Farm								
Direct Loans	1,550	$224.9	1,299	$179.4	7,834	$ 624.2	6,464*	$518.7*
Specific Guaranteed Loans	35	1.8	41	2.4	1,633	55.0	364	10.7
Alberta Farm Development Loans	4,546	63.7	5,407	69.6	76,808	651.8	16,234	128.0
	6,131	$290.4	6,747	$251.4	86,275	$1,331.0	23,062	$657.4
Agribusiness								
Direct Loans	37	$ 11.9	25	$ 3.8	97	$ 23.3	62	$ 12.2
Specific Guaranteed Loans	20	13.9	12	6.1	372	112.5	66	27.6
	57	$ 25.8	37	$ 9.9	469	$ 135.8	128	$ 39.8
TOTALS	6,188	$316.2	6,784	$261.3	86,744	$1,466.8	23,190	$697.2

* These figures include 870 Farm Purchase Board loans, with $4.8 million still outstanding, approved prior to June 1972.

Direct Farm Loan Authorizations

Distribution Analysis
For Years Ending March 31, 1982 and 1981

	Beginning Farmer Program				Part A and Part B				Totals			
	1981-82		1980-81		1981-82		1980-81		1981-82		1980-81	
	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions	No.	$Millions
By Region												
#1 South	237	$ 40.5	231	$ 37.5	52	$ 6.9	65	$ 8.3	289	$ 47.4	296	$ 45.8
#2 South Central	155	23.9	112	16.4	17	2.2	37	5.1	172	26.1	149	21.5
#3 North Central	335	49.9	234	34.4	65	7.8	51	5.8	400	57.7	285	40.2
#4 North East	160	24.4	122	15.8	37	4.7	33	4.1	197	29.1	155	19.9
#5 North West	188	26.3	161	22.9	44	5.3	56	5.8	232	31.6	217	28.7
#6 Peace River	215	28.5	147	18.3	45	4.5	50	5.0	260	33.0	197	23.3
	1,290	$193.5	1,007	$145.3	260	$31.4	292	$34.1	1,550	$224.9	1,299	$179.4
By Purpose*												
Land	1,081	$172.5	866	$128.9	137	$18.7	139	$18.4	1,218	$191.2	1,005	$147.3
Equipment & Livestock	107	7.9	60	5.1	10	0.4	15	0.8	117	8.3	75	5.9
Buildings	43	8.0	43	5.6	18	1.4	37	3.5	61	9.4	80	9.1
Financial Restructuring	36	4.3	26	3.4	82	10.0	100	11.1	118	[illegible]	126	14.5
Housing	23	0.8	—	—	5	0.3	—	—	28	[illegible]	—	—
Other	—	—	12	2.3	8	0.6	1	0.3	8	0.6	13	2.6
	1,290	$193.5	1,007	$145.3	260	$31.4	292	$34.1	1,550	$224.9	1,299	$179.4

* Each loan is classified by its major purpose.

Alberta Farm Development Loan Authorizations

Distribution Analysis
Years Ended March 31, 1982 and 1981

	1981-82		1980-81	
	No.	$millions	No.	$millions
By Region				
#1 South	864	$15.9	1,016	$16.2
#2 South Central	313	4.8	364	5.5
#3 North Central	840	12.2	958	12.5
#4 North East	822	10.2	989	11.4
#5 North West	867	10.7	1,003	11.6
#6 Peace River	820	9.9	1,077	12.4
	4,546	$63.7	5,407	$69.6
By Purpose				
Land	54	$ 2.0	124	$ 4.6
Equipment & Vehicles	2,360	31.2	3,053	37.1
Buildings	296	4.8	394	6.3
Livestock	630	8.5	724	9.2
Operating Capital	741	12.1	555	7.2
Dairy Facilities	89	1.8	116	1.8
Clearing & Breaking	299	1.7	378	1.9
Housing	52	1.2	49	1.4
Other	25	0.4	14	0.1
	4,546	$63.7	5,407	$69.6

Program Incentives Earned

Distribution Analysis (including accruals)
Years Ended March 31, 1982 and 1981

	1981-82		1980-81	
	No.	$thousands	No.	$thousands
By Region				
#1 South	528	$ 2,963.8	285	$ 697.0
#2 South Central	322	1,529.6	242	502.6
#3 North Central	967	3,766.0	703	1,123.3
#4 North East	599	1,698.5	516	578.6
#5 North West	1,017	2,139.9	870	793.3
#6 Peace River	499	1,874.5	346	763.9
	3,932	$13,972.3	2,962	$4,458.7
By Program				
Beginning Farmer	2,275	$13,077.0	1,257	$3,523.1
Dairy Development	440	487.5	378	357.1
Native Range Improvement	1,077	286.4	1,219	303.0
Sheep Producers	112	42.3	90	32.6
Vegetable Potato Storage	6	4.5	4	1.1
Farm Booster	18	19.0	7	6.8
Estate Grants	4	55.6	7	235.0
	3,932	$13,972.3	2,962	$4,458.7

Agribusiness Loan Authorizations

Distribution Analysis
Years Ended March 31, 1982 and 1981

	1981-82				1980-81			
	Direct		Guaranteed		Direct		Guaranteed	
	No	$millions	No	$millions	No	$millions	No	$millions
By Region								
#1 South	10	$ 3.3	3	$ 0.6	6	$1.00	1	$0.04
#2 South Central	3	0.4	1	1.0	5	0.78	3	0.77
#3 North Central	2	0.4	1	0.5	3	0.40	—	—
#4 North East	6	3.3	1	0.1	1	0.23	—	—
#5 North West	6	1.5	11	1.6	6	0.78	6	0.83
#6 Peace River	10	3.0	3	6.9	4	0.56	2	4.45
	37	$11.9	20	$10.9	25	$3.75	12	$6.09
By Size								
$100,000 or less	6	$ 0.4	7	$ 0.5	9	$0.43	4	$0.16
$100,000 to $500,000	26	6.5	9	2.6	16	3.32	7	1.93
Over $500,000	5	5.0	4	10.8	—	—	1	4.00
	37	$11.9	20	$10.9	25	$3.75	12	$6.09
By Type of Business								
Alfalfa Processing	9	$ 5.9	12	$ 3.4	6	$0.89	1	$0.45
Abbator	2	0.9	—	—	—	—	—	—
Veterinary Clinic	1	0.2	—	—	3	0.50	1	0.04
Gas Co-operative	20	3.6	—	—	5	0.77	1	0.24
Rapeseed Processing	—	—	2	5.3	—	—	1	4.00
Mushroom Farm	—	—	1	4.0	—	—	—	—
Greenhouse & Nursery	—	—	—	—	3	0.22	3	0.60
Other	5	1.5	5	1.0	8	1.37	5	0.76
	37	$11.9	20	$10.9	25	$3.75	12	$6.09

Specific Guaranteed Farm Loan Authorizations

Distribution Analysis
Years Ended March 31, 1982 and 1981

	1981-82		1980-81	
	No.	$millions	No.	$millions
By Region				
#1 South	3	$0.1	8	$0.5
#2 South Central	5	0.5	2	0.3
#3 North Central	3	0.1	3	0.2
#4 North East	4	0.2	6	0.6
#5 North West	16	0.6	15	0.5
#6 Peace River	4	0.3	7	0.3
	35	$1.8	41	$2.4
By Purpose				
Land	2	$0.3	—	$ —
Equipment	8	0.2	6	0.3
Buildings	—	—	5	0.3
Livestock	10	0.3	14	0.8
Operating Capital	5	0.1	7	0.1
Financial Restructuring	10	0.9	8	0.8
Other	—	—	1	0.1
	35	$1.8	41	$2.4

Alberta
Regional Map

Alberta Agricultural Development Corporation

HEAD OFFICE
Alberta Agricultural Development Corporation
4910 - 52 Street
CAMROSE, Alberta
T4V 2V4

Telephone
Area 403
672-3347

REGIONAL/DISTRICT OFFICES

South Region

REGIONAL OFFICE	Agriculture Centre LETHBRIDGE, Alberta T1J 4C7	329-5102
DISTRICT OFFICES		
BROOKS	Box 788 BROOKS, Alberta T0J 0J0	362-5551
CARDSTON	A.G.T. Building Box 670 CARDSTON, Alberta T0K 0K0	653-4461
CLARESHOLM	Box 40 CLARESHOLM, Alberta T0L 0T0	625-3301
MEDICINE HAT	770 - 6th Street S.W. MEDICINE HAT, Alberta T1A 4J6	529-3616
TABER	Administration Building Box 640 TABER, Alberta T0K 2G0	223-4471

South-Central Region

REGIONAL OFFICE	Bag Service 1 AIRDRIE, Alberta T0M 0B0	948-5101
DISTRICT OFFICES		
AIRDRIE	Bag Service 1 AIRDRIE, Alberta T0M 0B0	948-5101
CALGARY	911 - 32 Avenue, N.E. CALGARY, Alberta T2E 6X6	261-6281
DRUMHELLER	Box 2319 DRUMHELLER, Alberta T0J 0Y0	823-5740
HANNA	Box 349 HANNA, Alberta T0J 1P0	854-4451
OLDS	Box 250 OLDS, Alberta T0M 1P0	556-8421

North-Central Region

REGIONAL OFFICE	3rd Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 5Y5	343-5326
DISTRICT OFFICES		
CAMROSE	4909C - 48 Street CAMROSE, Alberta T4V 1L7	672-4411
LACOMBE	Bag Service 47 LACOMBE, Alberta T0C 1S0	782-3301
RED DEER	Main Floor 4920 - 51 Street Provincial Building RED DEER, Alberta T4N 5Y5	343-5364
STETTLER	Bag Service 600 STETTLER, Alberta T0C 2L0	742-4481
WETASKIWIN	5201 - 50 Avenue WETASKIWIN, Alberta T9A 0S7	352-1211

North-East Region

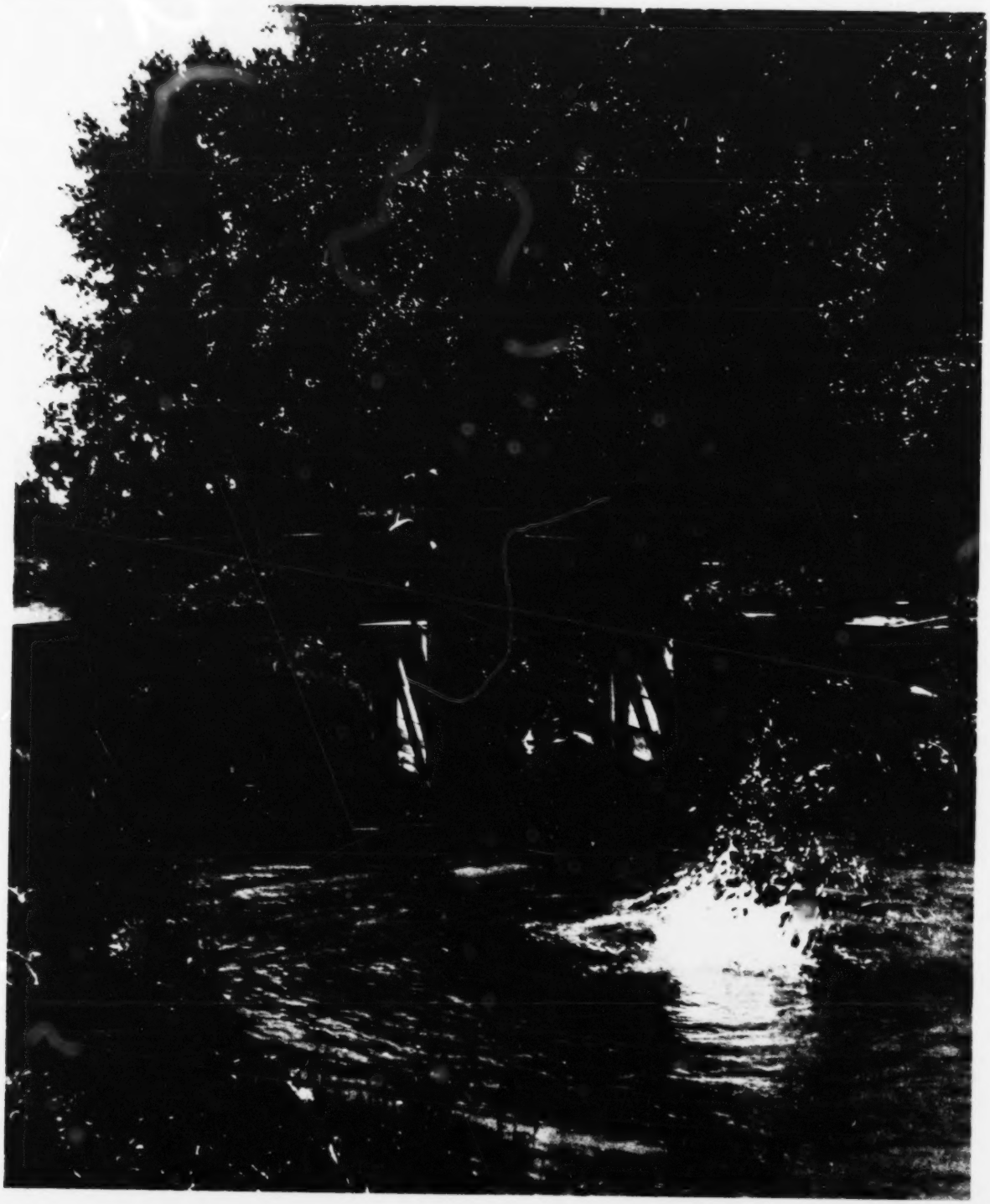
REGIONAL OFFICE	Box 330 VERMILION, Alberta T0B 4M0	853-2811
DISTRICT OFFICES		
SMOKY LAKE	Box 70 SMOKY LAKE, Alberta T0A 3C0	656-3613
ST. PAUL	Box 188 ST. PAUL, Alberta T0A 3A0	645-6212
TWO HILLS	Box 487 TWO HILLS, Alberta T0B 4K0	657-3311
VEGREVILLE	Box 519 VEGREVILLE, Alberta T0B 4L0	632-3361
VERMILION	Box 600 District Extension Office VERMILION, Alberta T0B 4M0	853-2811
WAINWRIGHT	Box 459 WAINWRIGHT, Alberta T0B 4P0	842-6126

North-West Region

REGIONAL OFFICE	Box 1540 BARRHEAD, Alberta T0G 0E0	674-3351
DISTRICT OFFICES		
ATHABASCA	Box 480 ATHABASCA, Alberta T0G 0B0	675-2252
BARRHEAD	Box 850 BARRHEAD, Alberta T0G 0E0	674-3351
EDMONTON	6905 - 116 Street EDMONTON, Alberta T6H 4P2	427-2451 427-2452 427-2453
EVANSBURG	Box 360 EVANSBURG, Alberta T0E 0T0	727-3673
WESTLOCK	Box 429 WESTLOCK, Alberta T0G 2L0	349-4465

Peace River Region

REGIONAL OFFICE	Box 7777 FAIRVIEW, Alberta T0H 1L0	835-4975
DISTRICT OFFICES		
GRANDE PRAIRIE	208 Provincial Building GRANDE PRAIRIE, Alberta T8V 2L8	539-2280
PEACE RIVER	Bag 900, Box 19 Provincial Building PEACE RIVER, Alberta T0H 2X0	624-6170
SPIRIT RIVER	Box 189 SPIRIT RIVER, Alberta T0H 3G0	864-3597
FORT VERMILION	District Extension Office Box 40 FORT VERMILION, Alberta T0H 1M0	927-3712



Auditor's Report & Financial Statements

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Agricultural Development Corporation

I have examined the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1982 and the statements of revenue, expense and retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

C.A.
Auditor General

Edmonton, Alberta
July 20, 1982

Balance Sheet

as at March 31, 1982

Statement A

	1982	1981
Assets		
Current:		
Cash	$ 750	$ 300
Deposits in trust (Note 4)	27,437,090	7,198,209
Accounts receivable	63,160	75,352
Accrued interest receivable (Note 5)	22,773,394	11,513,066
Guarantee implementations receivable (Notes 6 and 10)	3,387,978	2,101,743
Principal due within one year on direct loans receivable (Note 7)	16,998,566	8,750,568
Other assets due within one year (Note 8)	—	841,119
	70,660,938	30,480,357
Direct loans receivable (Notes 7 and 10)	506,699,061	307,294,015
Other (Notes 8 and 10)	568,960	508,028
Trust (Note 9)	109,823	154,429
	$578,038,782	**$338,436,829**
Liabilities		
Current:		
Accounts payable, Province of Alberta	$ 13,299,912	$ 4,891,648
Accounts payable, other	1,285,923	463,968
Guarantee implementations payable	512,950	383,387
Accrued incentives payable	7,387,780	2,248,900
Principal due within one year on long-term debt (Note 12)	11,240,000	7,000,000
	33,726,565	14,987,903
Long-term debt (Note 12)	537,000,000	316,240,000
Equity:		
Reserve for contingent liabilities (Note 13)	3,608,000	3,600,000
Retained earnings, Statement B	3,594,394	3,454,497
	7,202,394	7,054,497
Trust (Note 9)	109,823	154,429
	$578,038,782	**$338,436,829**

The accompanying notes are part of these financial statements.

Statement of Revenue, Expense and Retained Earnings

for the year ended March 31, 1982

Statement B

	1982	1981
Revenue:		
Interest	$ 48,974,244	$ 22,798,819
Administrative fees	55,683	60,192
Miscellaneous	160,834	28,209
	49,190,761	22,887,220
Expense:		
Interest on long-term debt	54,568,352	25,247,167
Operating, Schedule 1	4,759,509	3,327,360
Farm loan incentives, Schedule 2	13,972,274	4,458,693
Provision for doubtful accounts and losses (Note 10)	6,917,729	1,258,190
	80,217,864	34,291,410
Operating loss	31,027,103	11,404,190
Contribution by the Province of Alberta (Note 3)	31,175,000	13,780,000
Net income for the year	147,897	2,375,810
Retained earnings at beginning of year	3,454,497	4,678,687
	3,602,394	7,054,497
Transfer to reserve for contingent liabilities (Note 13)	8,000	3,600,000
Retained earnings at end of year	**$ 3,594,394**	**$ 3,454,497**

Statement of Changes in Financial Position

for the year ended March 31, 1982

Statement C

	1982	1981
Funds were provided from:		
Net income for the year, Statement B	$ 147,897	$ 2,375,810
Doubtful accounts provision	6,917,729	1,258,190
Funds from operations	7,065,626	3,634,000
Proceeds from issue of long term debt	232,000,000	139,000,000
Increase in accounts payable, Province of Alberta	8,408,264	7,239,463
Repayments of direct loans receivable	6,890,876	9,292,700
Increase in accrued incentives payable	5,138,880	2,248,900
Increase in accounts payable, other	821,955	431,474
Recoveries of other assets	809,284	646,550
Recoveries of guarantee implementations receivable	565,497	696,700
Decrease (increase) in accounts receivable	12,192	(75,352)
	261,712,574	163,114,435
Funds were applied to:		
Disbursements of direct loans	217,043,400	148,840,900
Increase in accrued interest receivable	11,845,774	5,208,224
Repayments of long term debt	7,000,000	4,000,000
Implementation of guarantees	5,523,137	2,730,532
Increase in other assets	60,932	54,979
	241,473,243	160,834,635
Increase in cash and deposits in trust	**$ 20,239,331**	**$ 2,279,800**

Notes to the Financial Statements

March 31, 1982

NOTE 1
Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980.

NOTE 2
Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles except that office equipment is expensed in the year of purchase.

(b) Allowance for doubtful accounts

The Corporation provides for losses on direct loans, guarantee implementations and other assets.

NOTE 3
Financial Structure

The Corporation's operations are funded through the sale of debentures to the Alberta Heritage Savings Trust Fund and a contribution from the General Revenue Fund of the Province of Alberta.

The contribution for the year from the General Revenue Fund was allocated to loan interest subsidies and incentives in the amount of $27,265,000 (1981 $10,415,000) and to operating expenses in the amount of $3,910,000 (1981 $3,365,000).

Office accommodation and field office support staff are provided at no charge by the Province and accordingly are not reflected in the financial statements.

NOTE 4
Deposits in Trust

Deposits in trust consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

NOTE 5
Accrued Interest Receivable

Accrued interest receivable consists of:

	1982	1981
Interest on direct loans	$21,759,893	$11,393,117
Interest on deposits in trust	903,758	119,949
Interest on guarantee implementations	1,292,633	696,438
	23,956,284	12,209,504
Less allowance for doubtful accounts (Note 10)	1,182,890	696,438
	$22,773,394	**$11,513,066**

NOTE 6
Guarantee Implementations Receivable

Loan guarantee payments made to financial institutions for uncollectable loans made by them under the Corporation's guarantee are generally of a demand nature and are therefore classified as current assets.

	1982	1981
Guarantee implementations receivable	$8,757,978	$4,421,743
Less allowance for doubtful accounts (Note 10)	5,370,000	2,320,000
	$3,387,978	**$2,101,743**

NOTE 7
Direct Loans Receivable

Direct loans are secured by agreements for sale and mortgages and are repayable in instalments due as follows, assuming that options to renew will be exercised when applicable:

	1982	1981
Arrears of principal and interest	$ 10,398,756	$ 4,208,821
Due in		
1 year	6,599,810	4,541,747
2 years	9,105,302	6,229,027
3 years	9,858,672	6,661,931
4 years	10,906,839	7,206,088
5 years	11,638,233	7,679,855
6-10 years	72,077,847	45,333,151
Over 10 years	400,361,168	239,007,093
	530,946,627	320,867,713
Less allowance for doubtful accounts (Note 10)	7,249,000	4,823,130
	523,697,627	316,044,583
Less current portion	16,998,566	8,750,568
	$506,699,061	**$307,294,015**

NOTE 8
Other Assets

Assets at cost, acquired by the Corporation as a result of security and related action are as follows:

	1982	1981
Unlisted preferred shares	$ 250,001	$ 250,001
Unlisted bonds	—	841,119
Lambco plant, equipment and advances (Note 11)	568,959	508,027
	818,960	1,599,147
Less allowance for loss on realization (Note 10)	250,000	250,000
	568,960	1,349,147
Less current portion	—	841,119
	$ 568,960	**$ 508,028**

NOTE 9
Trust Assets and Liabilities

Prior to December 15, 1975 the Province of Alberta indemnified the Corporation for all guarantee implementations in return for subrogation of collection rights. The balances shown reflect the total outstanding guarantee payments from this period less an estimated uncollectable amount of $329,468 (1981 $463,288).

NOTE 10
Allowance for Doubtful Accounts and Losses

Asset balances are shown net of the following allowances:

	Direct Loans	Guarantee Implementations	Accrued Interest	Other Assets	Total
Allowance at beginning of year	$4 823 130	$2 320 000	$ 696 438	$250 000	$ 8 089 568
Less accounts written off	73 610	750 968	98 994	31 835	955 407
	4 749 520	1 569 032	597 444	218 165	7 134 161
Increase in allowance	2 499 480	3 800 968	585 446	31 835	6 917 729
Allowance at end of year	**$7 249 000**	**$5 370 000**	**$1 182 890**	**$250 000**	**$14 051 890**

NOTE 11
Lambco Plant and Equipment

Pursuant to an agreement between Lamb Processors Co-op Ltd., the Province of Alberta and the Corporation, the Corporation acquired the net assets and business of the Co-op. The Corporation has since provided operating advances to Lambco in accordance with the agreement. Grants from the Province reimburse the Corporation for Lambco operating losses before depreciation expense and also for capital expenditures of Lambco. As at March 31, 1982 the Corporation's investment in Lambco was $568,959 (1981 $508,027). Operating revenue and expenses of Lambco are not consolidated in the financial statements of the Corporation.

Furthermore, the Province will indemnify the Corporation for any losses which might be incurred on disposal of Lambco. Any disposal proceeds in excess of the Corporation's investment in Lambco will be payable to the Province.

NOTE 12
Long Term Debt

Debentures payable to the Province of Alberta are as follows:

Series	Maturity Date	Interest Rate	Principal Outstanding 1982	1981
A1	March 31, 2004	10.15%	$47,000,000	$48,000,000
A2	March 31, 2004	9.63	70,500,000	72,000,000
A3	March 31, 2004	10.15	12,220,000	12,480,000
A4	May 1, 2004	10.35	21,120,000	21,560,000
B1	September 1, 2004	10.15	19,200,000	19,600,000
B2	March 1, 2005	11.85	19,200,000	19,600,000
C1	June 1, 2005	11.98	14,700,000	15,000,000
C2	August 1, 2005	11.94	24,500,000	25,000,000
C3	October 1, 2005	13.47	24,500,000	25,000,000
C4	December 1, 2005	13.66	14,700,000	15,000,000
D1	February 1, 2006	13.63	14,700,000	15,000,000
D2	March 1, 2006	14.20	24,500,000	25,000,000
D3	March 31, 2006	14.14	29,400,000	10,000,000
D4	May 1, 2006	15.41	15,000,000	–
D5	June 1, 2006	16.11	20,000,000	–
D6	July 1, 2006	16.00	13,000,000	–
D7	August 1, 2006	17.33	22,000,000	–
D8	September 1, 2006	17.71	10,000,000	–
E1	September 23, 2006	17.90	17,000,000	–
E2	October 1, 2006	17.81	19,000,000	–
E3	November 1, 2006	17.93	18,000,000	–
E4	December 1, 2006	15.78	17,000,000	–
E5	January 4, 2007	16.50	12,000,000	–
E6	February 1, 2007	17.12	19,000,000	–
E7	March 1, 2007	17.00	30,000,000	–
			548,240,000	323,240,000
Less current portion			11,240,000	7,000,000
			$537,000,000	$316,240,000

Principal repayments due in each of the next five years are as follows:

Year ended March 31,	1983	$11,240,000
	1984	11,240,000
	1985	11,240,000
	1986	12,620,000
	1987	13,240,000

NOTE 13
Contingent Liabilities and Commitments

The Corporation has the following contingent liabilities and commitments:

- approximately $89,610,000 (1981 $87,000,000) with respect to loan guarantees against which a specific reserve for potential losses of $3,608,000 (1981 $3,600,000) has been accrued.
- Approximately $85,000,000 (1981 $47,000,000) with respect to farm loan incentives which will arise over the next five years if applicants comply with requirements of the programs.
- As at March 31, 1982 undisbursed loans of $56,682,800 (1981 $46,755,400) had been approved.

NOTE 14
Comparative Figures

The 1981 figures have been restated where necessary to conform to 1982 presentation.

NOTE 15
Approval of Financial Statements

These financial statements were approved by management on July 20, 1982.

Schedule of Operating Expense

for the year ended March 31, 1982 — Schedule 1

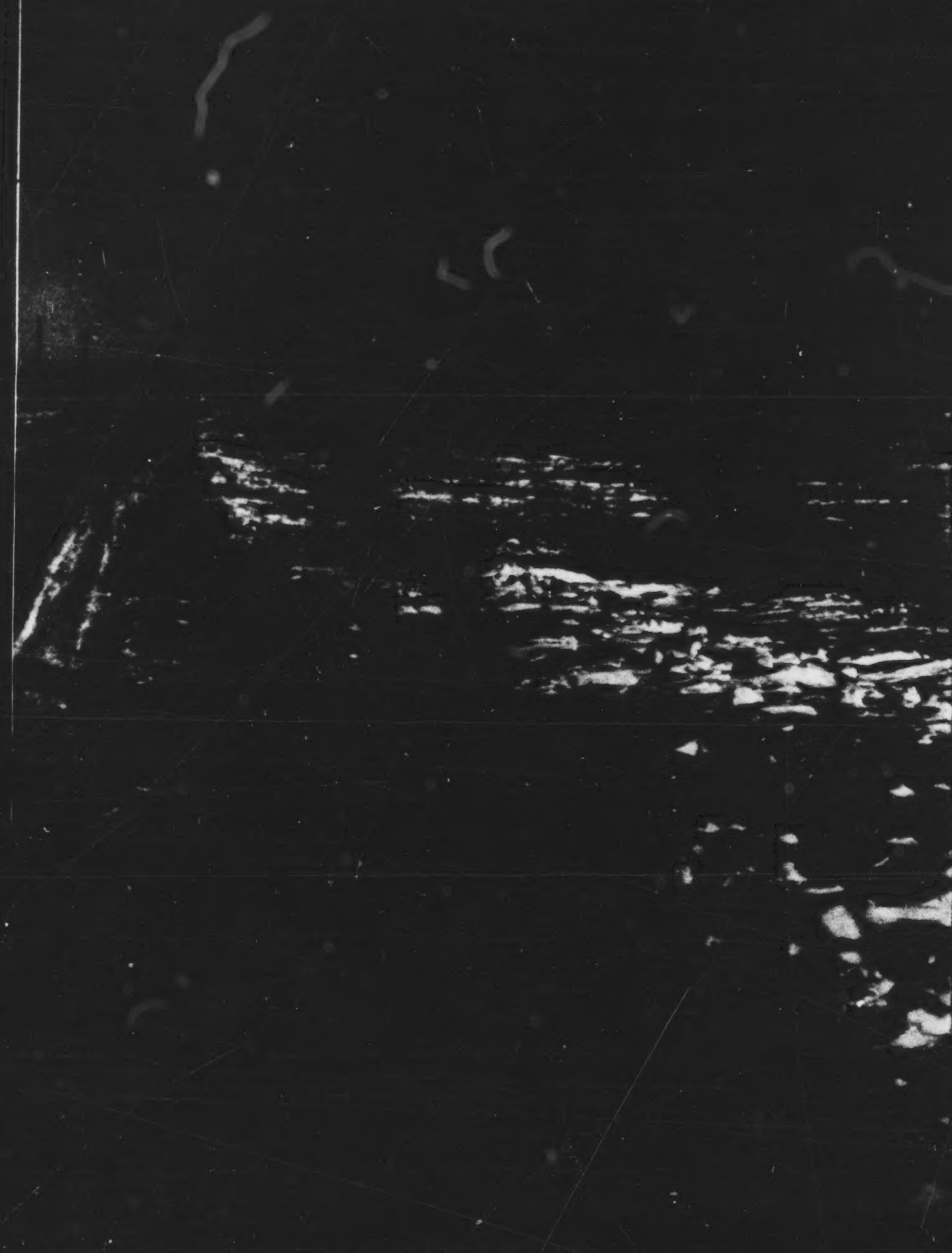
	1982	1981
Salaries and wages	$ 3,194,815	$ 2,399,935
Travel	476,622	383,091
Employee benefits	314,972	73,572
Directors' fees	189,350	107,715
Professional fees	137,407	72,389
Equipment rental and repair	80,910	51,445
Communications	62,046	52,485
Printing and binding	56,569	29,105
Equipment purchases	49,811	28,896
Meetings and conferences	41,159	7,958
Stationery and office supplies	40,315	33,523
Data processing	38,864	9,926
Legal	27,600	28,552
Postage, freight and express	17,507	30,499
Advertising	17,160	18,269
Microfilming	14,402	–
	$ 4,759,509	**$ 3,327,360**

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Schedule of Farm Loan Incentives

for the year ended March 31, 1982 — Schedule 2

	1982	1981
Beginning farmer program	$13,077,020	$ 3,523,065
Dairy development incentive program	487,450	357,084
Native range incentive program	286,443	302,961
Grants to estates of deceased borrowers	55,579	234,961
Other	65,782	40,622
	$13,972,274	**$ 4,458,693**



Corporation Officers and Senior Staff

(Camrose Head Office except where otherwise noted)

Chairman and Managing Director	J. Harold Hanna
General Counsel	Crawford Ferguson
Executive Assistant to Chairman and Secretary to Board	Brian J. Quinn
General Manager, Lending	Robert Thompson
Manager, Agribusiness Lending	vacant
Manager, Farm Lending	R. W. Niven
Regional Managers:	
Lethbridge	Gordon Bruins
Airdrie	Peter Young
Red Deer	Stuart Church
Vermilion	Peter Ignatiuk
Barrhead	Lyle Roberts
Fairview	Frank Blush
General Manager, Administration	E. George Suarez
Manager, Administrative Services	John Knight
Manager, Financial Services	D. J. Schurman
Manager, Loan Administration	Paul D. Stanley

Alberta

AGRICULTURAL DEVELOPMENT CORPORATION